

Message Text

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C O N F I D E N T I A L LUXEMBOURG 0036

E. O. 11652: GDS

TAGS: EFIN, LU, BE

SUBJ: GOL BANK COMMISSIONER COMMENTS ON BELGIUM-
LUXEMBOURG FINANCIAL PROBLEMS

1. GOL BANKING COMMISSIONER ALBERT DONDELINGER, IN AN EBULLIENT MOOD AFTER HIS RETURN FROM THE IMF MEETING IN WASHINGTON, TOLD ECON OFFICER JANUARY 17 THAT HE HAD SPENT MOST OF THE WEEK IN WASHINGTON CONFERRING WITH COUNTERPARTS AT THE SEC, THE FED AND THE COMPTROLLER OF BANKS AND THAT HE WAS VERY PLEASED WITH THE COOPERATION HE WAS RECEIVING FROM THESE AGENCIES. HE CONTRASTED THIS COOPERATION WITH THE PROBLEMS THE GOL IS CURRENTLY HAVING WITH ITS BELGIAN PARTNERS IN THE BELGO-LUXEMBOURG ECONOMIC UNION.

2. ACCORDING TO DONDELINGER, THE BELGIANS CANNOT ACCEPT THE REALITY THAT LUXEMBOURG HAS BECOME AN IMPORTANT FINANCIAL PLACE, AND THAT, IN FINANCIAL MATTERS, THE LUXEMBOURGERS NO LONGER NEED TO PLAY SECOND FIDDLE TO THEIR LARGER PARTNER. DONDELINGER CLAIMS THAT THE BELGIANS ARE PUTTING INCREASING PRESSURE ON GOL FINANCE MINISTER VOUEL TO ALTER LUXEMBOURG STATUTES WITH RESPECT TO HOLDING COMPANIES. THE BELGIANS ALSO WANT
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THE BELGIAN NATIONAL BANK AND THE BELGO-LUXEMBOURG

EXCHANGE INSTITUTE TO PLAY A LARGER ROLE IN THE FINANCIAL POLICIES OF THE GRAND DUCHY. IN ADDITION, THE BELGIANS ARE PRESSING FOR A HARMONIZATION OF WITHHOLDING TAXES ON INTEREST AND DIVIDENDS IN ORDER TO STOP THE FLOW OF BELGIAN DEPOSITS INTO LUXEMBOURG BANKS WHERE THERE ARE NO SUCH WITHHOLDING PROVISIONS. ACCORDING TO DONDELINGER, VOUEL HAS NO INTENTION OF ACQUIESCING TO THESE DEMANDS AND IS BECOMING INCREASINGLY STUBBORN IN HIS DEALINGS WITH THE BELGIANS. DONDELINGER VIEWS THE NEXT THREE MONTHS AS IMPORTANT FOR SETTING THE TONE OF BELGIAN-LUXEMBOURG COOPERATION IN THIS AREA. DONDELINGER ALSO BELIEVES THERE IS A DANGER OF A DIMUNITION OF BELGIAN-LUXEMBOURG COOPERATION ON MONETARY AND FINANCIAL MATTERS, AT LEAST BETWEEN THE CURRENT GOVERNMENTS IN THE TWO COUNTRIES, IF THE BELGIANS CONTINUE TO PRESS THESE DEMANDS.

3. COMMENT. THE CHANGES IN THE GOL AND IN THE LUXEMBOURG FINANCE MINISTRY HAVE NOT DIMMED THE LUXEMBOURGERS' INTRASIGENCE WHEN IT COMES TO MONETARY OR FINANCIAL MATTERS THAT AFFECT THE LUXEMBOURG INTERNATIONAL FINANCIAL PLACE OR LUXEMBOURG'S ROLE AS THE CENTER FOR EC FINANCIAL INSTITUTIONS. WE CAN EXPECT THE GOL TO CONTINUE TO STUBBORNLY DEFEND THESE INTERESTS WITHIN EC COUNCILS AS WELL AS WITHIN THE BELGIAN-LUXEMBOURG UNION. END COMMENT.
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